

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Grosse Pointe Park, Michigan</u>	County <u>Wayne</u>
Audit Date <u>June 30, 2004</u>	Opinion Date <u>September 7, 2004</u>	Date Accountant Report Submitted To State: <u>December 30, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address <u>10 South Main Street, Suite 200</u>	City <u>Mount Clemens</u>	State <u>MI</u>	ZIP <u>48043</u>
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **City of Grosse Pointe Park, Michigan**

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## **Financial Report with Supplemental Information June 30, 2004**

# City of Grosse Pointe Park, Michigan

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# City of Grosse Pointe Park, Michigan

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## Independent Auditor's Report

To the City Council  
City of Grosse Pointe Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Park, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



A worldwide association of Independent accounting firms



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To the City Council  
City of Grosse Pointe Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

September 7, 2004

# City of Grosse Pointe Park, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City of Grosse Pointe Park, Michigan on a government-wide basis. They are designed to present a longer-term view of the City's finances. Fund financial statements follow the above-mentioned government-wide statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than government-wide financial statements.

### The City of Grosse Pointe Park, Michigan as a Whole

In a condensed format, the table below shows the comparison of net assets as of June 30, 2004 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 2,306,477	\$ 3,576,177	\$ 691,739	\$ 886,567	\$ 2,998,216	\$ 4,462,744
Noncurrent assets:						
Investments	100,246	152,828	-	-	100,246	152,828
Capital assets	15,351,256	15,618,725	22,137,141	22,259,925	37,488,397	37,878,650
Total assets	17,757,979	19,347,730	22,828,880	23,146,492	40,586,859	42,494,222
<b>Liabilities</b>						
Current liabilities	1,685,305	1,670,945	2,554,118	2,429,065	4,239,423	4,100,010
Long-term liabilities	6,250,642	7,458,562	16,460,000	17,540,000	22,710,642	24,998,562
Total liabilities	7,935,947	9,129,507	19,014,118	19,969,065	26,950,065	29,098,572
<b>Net Assets (Deficit)</b>						
Invested in capital assets						
Net of related debt	9,402,676	9,083,441	4,597,141	3,664,925	13,999,817	12,748,366
Restricted	701,427	647,472	-	-	701,427	647,472
Unrestricted	(282,071)	487,310	(782,379)	(487,498)	(1,064,450)	(188)
Total net assets (deficit)	\$ 9,822,032	\$ 10,218,223	\$ 3,814,762	\$ 3,177,427	\$ 13,636,794	\$ 13,395,650

The City's combined net assets increased 1.8 percent from a year ago, increasing from \$13.4 million to \$13.6 million. A review of governmental activities, separate from the business-type activities, reflected \$9.8 million in total net assets. Of this total, \$9.4 million is invested in capital assets net of related debt. The unrestricted portion of net assets decreased as a result of the investment in capital assets during the year, including the fitness and activity center and infrastructure that were financed with available resources.

# City of Grosse Pointe Park, Michigan

## Management's Discussion and Analysis (Continued)

Long-term debt from governmental activities reflected a reduction of \$586,860 as a result of principal payments upon various notes and installment purchase contracts.

The business-type activities reflected a total of \$3,814,762 in net assets; substantially all amounts are invested in capital assets, net of related debt. The unrestricted portion of net assets decreased as a result of water and sewer system improvements financed with available resources.

Long-term debt of business-type activities reflected a reduction of \$1,055,000 as a result of principal payments upon the storm sewer system.

The following table shows the changes in net assets for the year ended June 30, 2004 as compared with the prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,765,769	\$ 1,249,035	\$ 4,160,178	\$ 4,149,387	\$ 5,925,947	\$ 5,398,422
Operating grants and contributions	946,672	881,176	-	-	946,672	881,176
Capital grants and contributions	327,543	510,301	-	-	327,543	510,301
General revenues:						
Property taxes	6,931,321	6,951,735	-	-	6,931,321	6,951,735
State-shared revenues	1,148,189	1,269,795	-	-	1,148,189	1,269,795
Cable franchise fees	121,702	148,371	-	-	121,702	148,371
Investment earnings	23,526	56,562	-	-	23,526	56,562
Miscellaneous	159,846	127,125	-	-	159,846	127,125
Income from joint venture	9,658	98,820	-	-	9,658	98,820
Gain (loss) on sale of assets	(50,000)	315,568	-	-	(50,000)	315,568
Total revenue	11,384,226	11,608,488	4,160,178	4,149,387	15,544,404	15,757,875
<b>Program Expenses</b>						
General government	1,420,604	1,484,561	-	-	1,420,604	1,484,561
Public safety	4,793,993	4,786,265	-	-	4,793,993	4,786,265
Public works	3,537,298	3,772,145	-	-	3,537,298	3,772,145
Recreation and culture	1,569,328	947,253	-	-	1,569,328	947,253
Interest on long-term debt	286,047	268,050	-	-	286,047	268,050
Water and sewer	-	-	3,429,846	3,038,842	3,429,846	3,038,842
Marina	-	-	266,144	183,971	266,144	183,971
Total expenses	11,607,270	11,258,274	3,695,990	3,222,813	15,303,260	14,481,087
<b>Income (Loss) - Before transfers</b>	(223,044)	350,214	464,188	926,574	241,144	1,276,788
<b>Transfers</b>	(173,147)	-	173,147	-	-	-
<b>Change in Net Assets</b>	(396,191)	350,214	637,335	926,574	241,144	1,276,788
<b>Net Assets - Beginning of year</b>	10,218,223	9,868,009	3,177,427	2,250,853	13,395,650	12,118,862
<b>Net Assets - End of year</b>	<u>\$ 9,822,032</u>	<u>\$ 10,218,223</u>	<u>\$ 3,814,762</u>	<u>\$ 3,177,427</u>	<u>\$ 13,636,794</u>	<u>\$ 13,395,650</u>



# **City of Grosse Pointe Park, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for the City's governmental activities totaled \$11,384,226. These revenues were utilized to provide essential municipal services including public safety, parks and recreation activities, and street maintenance.

Public safety department expenditures accounted for 41.3 percent of the governmental activities operational expenditures. The public works and the recreation and culture departments represented 44.0 percent of the operating costs, while general and administrative costs were limited to 12.2 percent of the governmental activities operating costs, thereby reflecting our focus on resources for the delivery of essential services to our residents.

During 2004, capital improvements and significant repairs in the governmental activities totaled \$1.15 million, including final construction costs of a new year-round fitness and activity center for the community. Future capital improvements will be curtailed for the purpose of increasing fund reserves within the governmental and business-type activities.

The City has begun to set aside funds for future retiree health costs and continued to meet its actuarial recommended contributions for the employees' defined benefit pension plan.

### **Business-type Activities**

The City's business-type activities are recorded in the Water and Sewer and Marina Funds. The City provides water and sewer services, which are purchased from the City of Detroit Water and Sewerage Department, to all its residents. Water and sewer revenues totaled \$3,940,739 for the 2004 fiscal year. These revenues provided the principal and interest payments of \$1,461,519 for the City's storm water system debt notes. The balance of \$2,479,220 in revenues was used for general operating costs and to compensate our provider, the Detroit Water and Sewerage Department, a total of \$1,543,816 for direct water and sewer fees. These direct fees represented a 19.8 percent increase from the previous year. Actual Detroit Water and Sewerage Department direct costs represented in total 62 percent of our revenue collections after the allowance for principal and interest payments.

The balance of business-type activities represents the City's 268 well marina operations; revenues for 2004 totaled \$219,439.

### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing. The City's major funds for 2004 include the General Fund and the Water and Sewer Fund.

# **City of Grosse Pointe Park, Michigan**

## **Management's Discussion and Analysis (Continued)**

The General Fund accounts for the majority of the City's governmental day-to-day services. The most significant of these were the public safety (police and fire), which incurred expenditures of approximately \$4.6 million in 2004. The general operating millage levied by the City supports these services. The Capital Improvement Fund is used by the City to account for most capital outlay expenditures. Transfers from other funds or debt issuance proceeds support these funds. This past year, the most significant cost with this fund was the final \$394,384 payment due for the fitness and activity center.

### **General Fund Budgetary Highlights**

Over the course of the year, the City administration and City Council monitor and amend the budget to take into account unanticipated events that occur during the year. The most significant of these events during fiscal year 2004 were decreases in the anticipated state-shared revenues, property taxes, and interest income. These revenues decreased due to the downturn in the economy and cutbacks made at the State level.

Due to the cutbacks, capital outlay expenditures will be curtailed, particularly with the improvements such as building construction having been completed.

### **Capital Asset and Debt Administration**

At the end of fiscal 2004, the City had \$37,488,397, net of depreciation, invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. In addition, the City is reporting infrastructure assets, which include roads, sidewalks, and storm drains in which it has invested. The value of the infrastructure assets, net of depreciation contained in this report, is \$5,297,852 and \$5,534,572 for fiscal 2004 and 2003, respectively (see Note 4 to the notes to the basic financial statements for additional information). Over the past two fiscal years, the City invested approximately \$3.2 million in a year-round fitness center which was completed in the current fiscal year.

Debt reported in these financial statements is related to the construction of the above-mentioned capital and infrastructure assets and is reported as a liability on the statement of net assets (deficit) (see Note 6 of the basic financial statements for additional information). During the year, the City reduced total long-term debt by \$1,641,210.

### **Economic Factors and Next Year's Budgets and Rates**

Since 1989, the City has reduced its property tax millage rate from 17.15 mills to the current 13.43 for the 2004 fiscal year; this represents a 22 percent reduction. Strong expenditure controls and past growth in the City's tax base have helped to accomplish this millage rate reduction. Property taxes make up 67.7 percent of the General Fund budget. Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, future tax reductions will be unlikely. The inflation rate for this coming year is predicted to be approximately 2.1 percent and state revenue sharing, which represents 12.9 percent of the General Fund budget, is unlikely to increase due to State cutbacks. These factors have lessened the City's ability to reduce property taxes.

# **City of Grosse Pointe Park, Michigan**

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## **Management's Discussion and Analysis (Continued)**

On the expenditure side, the City continues to operate with relatively low personnel costs and an efficient labor force. We do anticipate further increases in pension fund contributions due to the declines experienced with the stock and bond markets. Despite these increased costs, our total expense increases are anticipated to average approximately 2 percent per year. We have adjusted expenses to mirror the revenue base, ensuring the continuation of providing a high level of service expected by the community. However, due to the cutbacks in state-shared revenues, our focus will be upon the delivery of essential services and with the finalization of the recreation center. Capital projects have been curtailed until such time reserves are increased to a level to support such projects.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.

# City of Grosse Pointe Park, Michigan

## Statement of Net Assets (Deficit) June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 120,039	\$ 19,952	\$ 139,991	\$ 3,440
Receivables - Net:				
Taxes	276,500	-	276,500	-
Accounts	319,531	671,787	991,318	-
Other governmental units:				
Component units	360	-	360	-
Other	412,491	-	412,491	-
Primary government	-	-	-	225,229
Internal balances	1,107,556	(1,107,556)	-	-
Investment in joint venture (Note 10)	100,246	-	100,246	-
Prepaid expenses and deposits	70,000	-	70,000	100,000
Capital assets (Note 4):				
Assets not depreciated	1,231,418	-	1,231,418	205,000
Assets being depreciated - Net	14,119,838	22,137,141	36,256,979	-
<b>Total assets</b>	<b>17,757,979</b>	<b>21,721,324</b>	<b>39,479,303</b>	<b>533,669</b>
<b>Liabilities</b>				
Bank overdraft	126,864	-	126,864	-
Accounts payable	435,751	363,093	798,844	419
Accrued and other liabilities	240,017	3,469	243,486	1,781
Due to other governmental units:				
Component units	225,229	-	225,229	-
Other	36,384	-	36,384	-
Primary government	-	-	-	360
Noncurrent liabilities (Note 6):				
Due within one year	621,060	1,080,000	1,701,060	40,000
Due in more than one year	6,250,642	16,460,000	22,710,642	160,000
<b>Total liabilities</b>	<b>7,935,947</b>	<b>17,906,562</b>	<b>25,842,509</b>	<b>202,560</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	9,402,676	4,597,141	13,999,817	5,000
Restricted:				
Streets	423,050	-	423,050	-
Garbage and rubbish collection	238,304	-	238,304	-
Building inspection	11,714	-	11,714	-
Drug law enforcement	22,419	-	22,419	-
Debt service	5,940	-	5,940	-
Unrestricted	(282,071)	(782,379)	(1,064,450)	326,109
<b>Total net assets (deficit)</b>	<b>\$ 9,822,032</b>	<b>\$ 3,814,762</b>	<b>\$ 13,636,794</b>	<b>\$ 331,109</b>

# City of Grosse Pointe Park, Michigan

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 1,420,604	\$ 840,578	\$ 158,020	\$ -
Public safety	4,793,993	128,328	46,518	-
Public works	3,537,298	271,920	742,134	-
Recreation and culture	1,569,328	524,943	-	327,543
Interest on long-term debt	286,047	-	-	-
Total governmental activities	11,607,270	1,765,769	946,672	327,543
Business-type activities:				
Water and sewer	3,429,846	3,940,739	-	-
Marina	266,144	219,439	-	-
Total business-type activities	3,695,990	4,160,178	-	-
Total primary government	<u>\$ 15,303,260</u>	<u>\$ 5,925,947</u>	<u>\$ 946,672</u>	<u>\$ 327,543</u>
Component units:				
Downtown Development Authority	\$ 161,736	\$ -	\$ -	\$ -
Tax Increment Finance Authority	829,876	-	-	-
Total component units	<u>\$ 991,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Cable franchise fees				
Investment earnings				
Miscellaneous				
Income from joint venture				
Loss on disposal of assets				
Transfers				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (422,006)	\$ -	\$ (422,006)	\$ -
(4,619,147)	-	(4,619,147)	-
(2,523,244)	-	(2,523,244)	-
(716,842)	-	(716,842)	-
(286,047)	-	(286,047)	-
(8,567,286)	-	(8,567,286)	-
-	510,893	510,893	-
-	(46,705)	(46,705)	-
-	464,188	464,188	-
(8,567,286)	464,188	(8,103,098)	-
-	-	-	(161,736)
-	-	-	(829,876)
-	-	-	(991,612)
6,931,321	-	6,931,321	829,717
1,148,189	-	1,148,189	-
121,702	-	121,702	-
23,526	-	23,526	-
159,846	-	159,846	92,821
9,658	-	9,658	-
(50,000)	-	(50,000)	-
(173,147)	173,147	-	-
8,171,095	173,147	8,344,242	922,538
(396,191)	637,335	241,144	(69,074)
10,218,223	3,177,427	13,395,650	400,183
<b>\$ 9,822,032</b>	<b>\$ 3,814,762</b>	<b>\$ 13,636,794</b>	<b>\$ 331,109</b>

# City of Grosse Pointe Park, Michigan

## Governmental Funds Balance Sheet June 30, 2004

	Major Fund - General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 47,931	\$ 72,108	\$ 120,039
Receivables - Net:			
Taxes	276,500	-	276,500
Accounts	133,113	186,418	319,531
Other governmental units:			
Component units	-	360	360
Other	291,601	120,890	412,491
Due from other funds (Note 5)	1,304,609	1,151,136	2,455,745
Prepaid expenses	70,000	-	70,000
Total assets	<u>\$ 2,123,754</u>	<u>\$ 1,530,912</u>	<u>\$ 3,654,666</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Bank overdraft	\$ 126,864	\$ -	\$ 126,864
Accounts payable	325,354	110,397	435,751
Accrued and other liabilities	135,871	2,091	137,962
Due to other governmental units:			
Component units	225,229	-	225,229
Other	36,384	-	36,384
Due to other funds	707,710	640,479	1,348,189
Total liabilities	1,557,412	752,967	2,310,379
<b>Fund Balances</b>			
Unreserved	566,342	-	566,342
Unreserved, reported in:			
Special Revenue Funds	-	701,987	701,987
Debt Service Funds	-	5,940	5,940
Capital Projects Funds	-	70,018	70,018
Total fund balances	<u>566,342</u>	<u>777,945</u>	<u>1,344,287</u>
Total liabilities and fund balances	<u>\$ 2,123,754</u>	<u>\$ 1,530,912</u>	<u>\$ 3,654,666</u>

# City of Grosse Pointe Park, Michigan

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## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets (Deficit) Year Ended June 30, 2004**

**Fund Balance - Total Governmental Funds** \$ 1,344,287

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 15,351,256

Investment in joint venture is not included as an asset in the governmental funds 100,246

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Notes and bonds payable	(5,948,580)
Compensated absences	(923,122)

Accrued interest payable is not included as a liability in the governmental funds (102,055)

**Net Assets - Governmental Activities** \$ 9,822,032



# City of Grosse Pointe Park, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	Major Fund - General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 6,099,169	\$ 832,152	\$ 6,931,321
Licenses and permits	174,228	-	174,228
Federal sources	-	158,020	158,020
State sources	1,160,990	742,134	1,903,124
Charges for services	597,225	292,003	889,228
Fines and forfeitures	610,296	-	610,296
Interest and rent	133,449	4,220	137,669
Other	229,379	453,543	682,922
Total revenue	9,004,736	2,482,072	11,486,808
<b>Expenditures</b>			
Current:			
General government	1,360,998	-	1,360,998
Public safety	4,622,549	6,658	4,629,207
Public works	1,037,073	1,737,118	2,774,191
Recreation and culture	1,366,754	-	1,366,754
Capital outlay	-	1,145,907	1,145,907
Debt service:			
Principal	118,242	466,360	584,602
Interest	47,211	252,498	299,709
Total expenditures	8,552,827	3,608,541	12,161,368
<b>Excess of Revenue Over (Under) Expenditures</b>	451,909	(1,126,469)	(674,560)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,091,792	1,091,792
Transfers out	(630,105)	(461,687)	(1,091,792)
Total other financing sources (uses)	(630,105)	630,105	-
<b>Net Change in Fund Balances</b>	(178,196)	(496,364)	(674,560)
<b>Fund Balances - Beginning of year</b>	744,538	1,274,309	2,018,847
<b>Fund Balances - End of year</b>	<u>\$ 566,342</u>	<u>\$ 777,945</u>	<u>\$ 1,344,287</u>

# City of Grosse Pointe Park, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (674,560)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,027,718)	
Capital outlay	<u>810,249</u>	(217,469)

Proceeds from the sale of capital assets are reported as revenue in the governmental funds; in the statement of activities, the loss on disposal of capital assets is reported	(50,000)
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Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	11,560
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	586,704
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Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	156
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Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received:

Joint venture income	9,658
Joint venture distribution	<u>(62,240)</u>

**Change in Net Assets of Governmental Activities** \$ (396,191)

# City of Grosse Pointe Park, Michigan

## Proprietary Funds Enterprise Funds Statement of Net Assets (Deficit) June 30, 2004

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 19,952	\$ -	\$ 19,952
Accounts receivable - Customers - Net	671,787	-	671,787
Due from other funds (Note 5)	-	93,071	93,071
Total current assets	691,739	93,071	784,810
Capital assets (Note 4)	22,047,185	89,956	22,137,141
Total assets	22,738,924	183,027	22,921,951
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	357,763	5,330	363,093
Accrued and other liabilities	3,093	376	3,469
Due to other funds	1,200,627	-	1,200,627
Current portion of long-term debt (Note 6)	1,080,000	-	1,080,000
Total current liabilities	2,641,483	5,706	2,647,189
Long-term debt - Net of current portion (Note 6)	16,460,000	-	16,460,000
Total liabilities	19,101,483	5,706	19,107,189
<b>Net Assets (Deficit)</b>			
Invested in capital assets - Net of related debt	4,507,185	89,956	4,597,141
Unrestricted	(869,744)	87,365	(782,379)
Total net assets (deficit)	<u>\$ 3,637,441</u>	<u>\$ 177,321</u>	<u>\$ 3,814,762</u>

# City of Grosse Pointe Park, Michigan

## **Proprietary Funds** **Enterprise Funds** **Statement of Revenue, Expenses, and Changes in Net Assets** **Year Ended June 30, 2004**

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Operating Revenue</b> - Customer billings	\$ 3,940,739	\$ 219,439	\$ 4,160,178
<b>Operating Expenses</b>			
Cost of water	593,918	-	593,918
Cost of sewage disposal	967,500	-	967,500
Operation and maintenance	254,920	236,213	491,133
General and administrative	712,078	17,000	729,078
Depreciation	494,911	12,931	507,842
Total operating expenses	3,023,327	266,144	3,289,471
<b>Operating Income (Loss)</b>	917,412	(46,705)	870,707
<b>Nonoperating Expense</b> - Interest expense	(406,519)	-	(406,519)
<b>Income (Loss)</b> - Before capital contributions	510,893	(46,705)	464,188
<b>Capital Contributions</b> - Other funds	173,147	-	173,147
<b>Change in Net Assets</b>	684,040	(46,705)	637,335
<b>Net Assets</b> - Beginning of year	2,953,401	224,026	3,177,427
<b>Net Assets</b> - End of year	<u>\$ 3,637,441</u>	<u>\$ 177,321</u>	<u>\$ 3,814,762</u>

# City of Grosse Pointe Park, Michigan

## Proprietary Funds Enterprise Funds Statement of Cash Flows Year Ended June 30, 2004

	Major Fund - Water and Sewer	Nonmajor Fund - Marina	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 3,931,807	\$ 219,439	\$ 4,151,246
Payments to suppliers for water and sewage disposal	(1,543,816)	-	(1,543,816)
Payments to other suppliers and employees	(764,294)	(373,239)	(1,137,533)
Net cash provided by (used in) operating activities	1,623,697	(153,800)	1,469,897
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(212,138)	-	(212,138)
Principal and interest paid on capital debt	(1,461,519)	-	(1,461,519)
Net cash used in capital and related financing activities	(1,673,657)	-	(1,673,657)
<b>Net Decrease in Cash and Cash Equivalents</b>	(49,960)	(153,800)	(203,760)
<b>Cash and Cash Equivalents - Beginning of year</b>	69,912	153,800	223,712
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 19,952</u>	<u>\$ -</u>	<u>\$ 19,952</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 917,412	\$ (46,705)	\$ 870,707
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	494,911	12,931	507,842
Changes in assets and liabilities:			
Receivables	(8,932)	-	(8,932)
Due from other funds	10,400	(93,071)	(82,671)
Accounts payable	17,829	4,073	21,902
Accrued and other liabilities	(6,498)	(3,234)	(9,732)
Due to other funds	198,575	(27,794)	170,781
Net cash provided by (used in) operating activities	<u>\$ 1,623,697</u>	<u>\$ (153,800)</u>	<u>\$ 1,469,897</u>

**Significant Noncash Investing and Financing Activities** - During the year, sewer improvements totaling \$173,147 were constructed by a nonmajor governmental fund and contributed to the Water and Sewer Fund.

# City of Grosse Pointe Park, Michigan

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## **Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Net Assets June 30, 2004**

<b>Assets</b> - Investments - Mutual fund (Note 3)	<u>\$ 186,354</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 186,354</u>

# City of Grosse Pointe Park, Michigan

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## **Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Changes in Net Assets Year Ended June 30, 2004**

### **Additions**

Investment income - Net increase in fair value of investments	\$ 13,825
Contributions - Employee	<u>39,287</u>

**Change in Net Assets** 53,112

### **Net Assets Held in Trust for Pension and Other Employee Benefits**

Beginning of year	<u>133,242</u>
End of year	<u><u>\$ 186,354</u></u>

# City of Grosse Pointe Park, Michigan

## Component Units Statement of Net Assets June 30, 2004

	Downtown Development Authority	Tax Increment Finance Authority	Totals
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 691	\$ 2,749	\$ 3,440
Due from other governmental units -			
Primary government	8,198	217,031	225,229
Deposits	-	100,000	100,000
Capital assets (Note 4)	-	205,000	205,000
Total assets	8,889	524,780	533,669
<b>Liabilities</b>			
Accounts payable	-	419	419
Due to other governmental units -			
Primary government	360	-	360
Accrued and other liabilities	-	1,781	1,781
Noncurrent liabilities (Note 6):			
Due within one year	-	40,000	40,000
Due in more than one year	-	160,000	160,000
Total liabilities	360	202,200	202,560
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	-	5,000	5,000
Unrestricted	8,529	317,580	326,109
Total net assets	<u>\$ 8,529</u>	<u>\$ 322,580</u>	<u>\$ 331,109</u>



# City of Grosse Pointe Park, Michigan

	Program Revenues		
	Expenses	Charges for Services	Operating Grants/Contributions
Downtown Development Authority - Public works	\$ 161,736	\$ -	\$ -
Tax Increment Finance Authority - Public works	829,876	-	-
Total governmental activities	<u>\$ 991,612</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Taxes			
Other			
Total general revenues			
<b>Change in Net Assets</b>			
<b>Net Assets - Beginning of year</b>			
<b>Net Assets - End of year</b>			

**Component Units  
Statement of Activities  
Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Tax Increment Finance Authority	Total
\$ (161,736)	\$ -	\$ (161,736)
-	(829,876)	(829,876)
(161,736)	(829,876)	(991,612)
130,895	698,822	829,717
31,437	61,384	92,821
162,332	760,206	922,538
596	(69,670)	(69,074)
7,933	392,250	400,183
<b>\$ 8,529</b>	<b>\$ 322,580</b>	<b>\$ 331,109</b>

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Grosse Pointe Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### **Reporting Entity**

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

#### **Blended Component Unit**

**Building Authority** - The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

#### **Discretely Presented Component Units**

**Downtown Development Authority** - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA collects captured property taxes in accordance with State law and budgets expenditures within the DDA district boundaries. The DDA's governing body is appointed by the City Council.

**Tax Increment Finance Authority** - The Tax Increment Finance Authority (TIFA) was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with State law and budgets expenditures within the TIFA district boundaries. The TIFA's governing body is appointed by the City Council.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### Note I - Summary of Significant Accounting Policies (Continued)

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major governmental fund and major Enterprise Fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major Enterprise Fund:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note I - Summary of Significant Accounting Policies (Continued)**

Additionally, the City reports the following fund type:

**Retiree Healthcare Fund** - The Retiree Healthcare Fund, a pension and other employee benefit trust fund type, accounts for the accumulation of resources that are legally restricted for payment of retiree healthcare benefits.

#### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Funds.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts and property tax receivables are shown as net of allowance for uncollectible amounts.

**Property Taxes** - The City participates in the Delinquent Tax Revolving Fund maintained by Wayne County. Property taxes are assessed on December 31 and are levied and become a lien on July 1. These taxes are due on August 31; however, payment may be made from September 1 through February 28 with penalty. Taxes are considered delinquent and are turned over to Wayne County for collection on March 1.

The 2003 taxable valuation (real and personal property) of the City totaled \$533,301,000, on which ad valorem taxes levied consisted of 11.77 mills for the City's operating purposes and 1.66 mills for refuse. The ad valorem taxes generated \$5,900,000 for general operations and \$832,000 for refuse, net of taxes captured by the DDA and TIFA. These amounts are reported in the General Fund and the Garbage and Rubbish Collection Special Revenue Fund as tax revenue.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer systems, etc.), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Roads and sidewalks	20 to 25 years
Water and sewer systems	40 to 60 years
Land improvements	20 years
Buildings and building improvements	20 to 50 years
Machinery and equipment	8 to 20 years
Marina	15 to 33 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when due for payment (generally for employee terminations as of year end).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit).

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds, except transfers to other funds are budgeted as expenditures. All annual appropriations lapse at fiscal year end.

# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### **Note 2 - Stewardship, Compliance, and Accountability (Continued)**

Budgets for the fiscal year commencing July 1 are prepared by the City Manager and submitted to the City Council prior to May 1 each year. A public hearing is conducted to obtain taxpayer comments and the City Council legally adopts the budget through the appropriation ordinance prior to June 1.

The budget document presents information by fund, activity, and line item. The legal level of budgetary control adopted by the City Council is the activity level for the General Fund and the fund level for Special Revenue Funds. Budget amendments were not significant during the year; however, the budget was amended subsequent to June 30, 2004.

Amounts encumbered for purchase orders, contracts, and other commitments are not tracked during the year. Budget appropriations are considered to be spent only when an expenditure has been recognized (i.e., when goods are received or services are rendered).

**Excess of Expenditures Over Appropriations in Budgeted Funds** - There were no significant expenditure budget variances during the year.

### **Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Healthcare Fund is also authorized to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, certain real estate investments, and other specified investment vehicles.



# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 3 - Deposits and Investments (Continued)

The City has adopted an investment policy in accordance with State law and management believes that the City's deposits and investment are in accordance with statutory authority.

At June 30, 2004, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Fund	Component Units
Cash and cash equivalents	\$ 120,039	\$ 19,952	\$ 139,991	\$ -	\$ 3,440
Investments	-	-	-	186,354	-
Total	<u>\$ 120,039</u>	<u>\$ 19,952</u>	<u>\$ 139,991</u>	<u>\$ 186,354</u>	<u>\$ 3,440</u>

Deposits and investments are categorized as follows in accordance with GASB Statement No. 3:

	Primary Government	Fiduciary Fund	Component Units
Bank deposits (checking accounts)	\$ 95,670	\$ -	\$ 3,440
Investments in securities, mutual funds, and similar vehicles	42,730	186,354	-
Petty cash or cash on hand	<u>1,591</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 139,991</u>	<u>\$ 186,354</u>	<u>\$ 3,440</u>

**Deposits** - The bank balance of the City's deposits, including the component units, whose deposits are held in the name of the City of Grosse Pointe Park, totaled \$18,751, all of which is covered by federal depository insurance. The City also had bank overdrafts totaling \$126,864 at June 30, 2004.

**Investments** - Investments consist of mutual funds totaling \$186,354 and bank investment pools totaling \$42,730. Investments are normally categorized to give an indication of the level of credit risk. Mutual funds and bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC and the bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2003
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 1,231,418	\$ -	\$ -	\$ 1,231,418
Capital assets being depreciated:				
Roads and sidewalks	10,993,545	267,399	-	11,260,944
Land improvements	1,793,800	145,054	-	1,938,854
Buildings	8,011,824	308,277	-	8,320,101
Machinery and equipment	2,902,979	89,519	(83,815)	2,908,683
Subtotal	23,702,148	810,249	(83,815)	24,428,582
Accumulated depreciation:				
Roads and sidewalks	5,458,973	504,119	-	5,963,092
Land improvements	994,174	90,899	-	1,085,073
Buildings	1,755,770	207,713	-	1,963,483
Machinery and equipment	1,105,924	224,987	(33,815)	1,297,096
Subtotal	9,314,841	1,027,718	(33,815)	10,308,744
Net capital assets being depreciated	14,387,307	(217,469)	(50,000)	14,119,838
Net capital assets	<u>\$ 15,618,725</u>	<u>\$ (217,469)</u>	<u>\$ (50,000)</u>	<u>\$ 15,351,256</u>
<b>Business-type Activities</b>				
Capital assets being depreciated:				
Water system	\$ 285,180	\$ -	\$ -	\$ 285,180
Sewer system	26,411,717	319,234	-	26,730,951
Buildings and improvements	464,780	257	-	465,037
Machinery and equipment	499,200	65,794	-	564,994
Marina	406,473	-	-	406,473
Subtotal	28,067,350	385,285	-	28,452,635
Accumulated depreciation:				
Water system	177,771	6,348	-	184,119
Sewer system	4,722,787	427,130	-	5,149,917
Buildings and improvements	174,089	15,477	-	189,566
Machinery and equipment	429,192	46,183	-	475,375
Marina	303,586	12,931	-	316,517
Subtotal	5,807,425	508,069	-	6,315,494
Net capital assets	<u>\$ 22,259,925</u>	<u>\$ (122,784)</u>	<u>\$ -</u>	<u>\$ 22,137,141</u>

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the governmental activities as follows:

General government	\$ 82,674
Public safety	161,536
Public works	585,742
Recreation and culture	<u>197,766</u>
Total governmental activities	<u>\$ 1,027,718</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 1,200,627
General Fund	Other nonmajor funds	103,982
Other nonmajor funds	General Fund	707,710
Other nonmajor funds	Other nonmajor funds	<u>536,497</u>
Total		<u>\$ 2,548,816</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers Out		
	Other Governmental		
	General Fund	Funds	Total
Transfers in:			
General Fund	\$ -	\$ -	\$ -
Other governmental funds	<u>630,105 (1)</u>	<u>461,687 (2)</u>	<u>1,091,792</u>
Total	<u>\$ 630,105</u>	<u>\$ 461,687</u>	<u>\$ 1,091,792</u>

(1) Transfer of discretionary funds to be used for the benefit of the community (\$411,000) and transfer for debt service payments (\$219,105)

(2) Transfer of Act 51 revenue-sharing payments from Major Streets Fund to Local Streets Fund as permitted by State law (\$86,550) and transfer for debt service payments (\$375,137)

### Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

Long-term debt activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
General obligation bonds:							
1992 City of Grosse Pointe Park Building							
Authority Bonds:							
Amount of Issue - \$2,285,000	4.375% -	\$115,000 -					
Maturing through 2012	5.90%	\$190,000	\$ 1,470,000	\$ -	\$ 110,000	\$ 1,360,000	\$ 115,000
1998 Fox Creek Limited Tax Bonds							
Amount of Issue - \$1,950,000	4.70%	\$115,000 -					
Maturing through 2013		\$175,000	1,550,000	-	100,000	1,450,000	115,000
Installment purchase agreements:							
1999 Republic Bank:							
Amount of Issue - \$1,758,000		\$42,841 -					
Maturing through 2006	4.85%	\$166,287	367,589	-	158,461	209,128	166,287
2001 Motorola 911 Radio System:							
Amount of Issue - \$184,948		\$26,244 -					
Maturing through 2007	5.97%	\$31,231	139,523	-	24,766	114,757	26,244
2001 City of Grosse Pointe Farms 911 Radio System:							
Amount of Issue - \$222,140		\$46,899 -					
Maturing through 2005	5.91%	\$49,671	140,851	-	44,282	96,569	46,899
2003 Parks and Recreation Activity Center -							
Comerica Bank:							
Amount of Issue - \$2,250,000	3.80% -	\$100,000 -					
Maturing through 2018	4.60%	\$200,000	2,250,000	-	100,000	2,150,000	100,000
2003 Fire Truck:							
Amount of Issue - \$617,321		\$51,630 -					
Maturing through 2013	4.95%	\$75,990	617,321	-	49,195	568,126	51,630
Accrued compensated absences			923,278	-	156	923,122	-
Total governmental activities			\$ 7,458,562	\$ -	\$ 586,860	\$ 6,871,702	\$ 621,060
<b>Business-type Activities</b>							
General Obligation Bonds:							
1996 Water and Sewer Fund Bonds:							
Amount of Issue - \$22,615,921		\$1,080,000 -					
Maturing through 2018	2.25%	\$1,440,000	\$ 18,595,000	\$ -	\$ 1,055,000	\$ 17,540,000	\$ 1,080,000
<b>Component Units</b>							
Instalment Purchase Agreements:							
Land acquisition							
Amount of Issue - \$200,000							
Maturing through 2009	4.10%	\$40,000	\$ -	\$ 200,000	\$ -	\$ 200,000	\$ 40,000

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 621,060	\$ 267,061	\$ 888,121	\$ 1,080,000	\$ 382,500	\$ 1,462,500	\$ 40,000	\$ 8,200	\$ 48,200
2006	524,508	236,627	761,135	1,105,000	357,919	1,462,919	40,000	6,560	46,560
2007	471,339	211,011	682,350	1,130,000	332,775	1,462,775	40,000	4,920	44,920
2008	490,913	197,343	688,256	1,155,000	307,069	1,462,069	40,000	3,280	43,280
2009	477,637	162,559	640,196	1,180,000	280,800	1,460,800	40,000	1,640	41,640
2010-2014	2,588,123	454,000	3,042,123	6,310,000	989,102	7,299,102	-	-	-
2015-2018	775,000	71,663	846,663	5,580,000	254,476	5,834,476	-	-	-
Total	<u>\$ 5,948,580</u>	<u>\$ 1,600,264</u>	<u>\$ 7,548,844</u>	<u>\$ 17,540,000</u>	<u>\$ 2,904,641</u>	<u>\$ 20,444,641</u>	<u>\$ 200,000</u>	<u>\$ 24,600</u>	<u>\$ 224,600</u>

### Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for all claims except workers' compensation, and participates in the Michigan Municipal League Risk Pool for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### Note 8 - Pension Plan

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all City employees and provides retirement, disability, and death benefits to plan members and their beneficiaries.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Pension Plan (Continued)

The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

Employee membership data as of June 30, 2004 is as follows:

Active members	86
Retirees and beneficiaries	79
Inactive vested participants	<u>5</u>
Total plan participants	<u>170</u>

All full-time City employees are eligible to participate in the MMERS. Benefits vest after 10 years of service. City employees who retire at or after attaining a minimum service retirement age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to their average annual compensation during their last five years of employment multiplied by an entitled benefit percentage, for each year of credited service. The minimum service retirement age may be reduced with additional years of credited service. The MMERS also provides death and disability benefits. These benefit provisions are established by State statutes and City ordinance.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by City ordinance and requires a contribution from the employees of varying amounts up to 6 percent of gross wages.

**Annual Pension Costs** - For the year ended June 30, 2004, the City's annual pension cost of \$120,563 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age actuarial cost method. Significant actuarial assumptions used include: (a) a rate of return on investment of present and future assets of 8 percent per year, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases of up to 4.2 percent per year (depending on age) attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement.

# City of Grosse Pointe Park, Michigan

## Notes to Financial Statements June 30, 2004

### Note 8 - Pension Plan (Continued)

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2003	2002
Annual pension cost (APC)	\$ 120,563	\$ 158,941	\$ 227,219
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

#### Schedule of Funding Progress

	Actuarial Valuation as of December 31		
	2003	2002	2001
Actuarial value of assets	\$ 21,362,202	\$ 21,014,351	\$ 21,486,006
Actuarial Accrued Liability (AAL)			
(entry age)	26,326,436	24,219,974	22,649,529
Unfunded AAL (UAAL)	4,964,234	3,205,623	1,163,523
Funded ratio	81%	87%	95%
Covered payroll	4,971,415	4,601,726	4,219,473
UAAL as a percentage of covered payroll	100%	70%	28%

### Note 9 - Other Postemployment Benefits

The City provides postemployment health care benefits to all qualifying employees in accordance with labor contracts. These health care benefits are financed on a pay-as-you-go basis. Currently, 43 retirees meet the eligibility requirements. The City pays all of the medical insurance premiums for general employees until age 65. Expenditures for postemployment health care benefits of \$335,180 were recognized as paid during the year ended June 30, 2004.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.



# City of Grosse Pointe Park, Michigan

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## Notes to Financial Statements June 30, 2004

### Note 10 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe, Grosse Pointe Woods, Harper Woods, Mount Clemens, the Village of Grosse Pointe Shores, and the Township of Clinton. The City Council appoints one member to the joint venture's governing board, which then approves its annual budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled \$100,246 at June 30, 2004 and is reported as part of the governmental activities in the statement of net assets (deficit). The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from their administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

### Note 11 - Fox Creek Settlement

In February 1998, the City paid \$1.9 million as a result of a court settlement to the residents of the City of Detroit, the neighboring city, because of discharge of sewerage water during times of increased drainage. After the settlement, the City pursued reimbursement from its insurance carrier, which resulted in a lawsuit. On June 15, 2000, the City received a favorable judgment and was awarded full reimbursement, which amounted to approximately \$1.9 million. However, subsequent to the ruling, the insurance carrier appealed the case and the City has yet to be paid the \$1.9 million. The City cannot currently predict the outcome of this appeal and, consequently, has not included any balances in its books and records related to this judgment.

## **Required Supplemental Information**

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# City of Grosse Pointe Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 6,432,470	\$ 6,193,470	\$ 6,099,169	\$ (94,301)
Licenses and permits	165,527	165,527	174,228	8,701
State sources	1,242,134	1,154,134	1,160,990	6,856
Charges for services	506,427	506,427	597,225	90,798
Fines and forfeitures	560,250	560,250	610,296	50,046
Interest and rent	210,453	130,453	133,449	2,996
Other	186,042	118,748	229,379	110,631
Total revenue	9,303,303	8,829,009	9,004,736	175,727
<b>Expenditures</b>				
General government	1,373,915	1,373,915	1,360,998	12,917
Public safety	4,632,148	4,632,148	4,622,549	9,599
Public works	1,152,488	1,152,488	1,037,073	115,415
Recreation and culture	1,310,043	1,310,043	1,366,754	(56,711)
Debt service	165,701	165,701	165,453	248
Transfers to other funds	669,000	669,000	630,105	38,895
Total expenditures	9,303,295	9,303,295	9,182,932	120,363
<b>Excess of Revenue Over (Under)</b>				
Expenditures	8	(474,286)	(178,196)	296,090
<b>Fund Balance - Beginning of year</b>	744,538	744,538	744,538	-
<b>Fund Balance - End of year</b>	<u>\$ 744,546</u>	<u>\$ 270,252</u>	<u>\$ 566,342</u>	<u>\$ 296,090</u>

## **Other Supplemental Information**

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# City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
<b>Assets</b>							
Cash and investments	\$ 65,708	\$ -	\$ 1,061	\$ -	\$ -	\$ -	\$ 66,769
Receivables - Net:							
Accounts	-	-	10,103	-	-	-	10,103
Other governmental units:							
Component units	-	-	-	-	-	-	-
Other	88,248	32,642	-	-	-	-	120,890
Due from other funds	<u>188,691</u>	<u>321,560</u>	<u>288,400</u>	<u>12,230</u>	<u>22,959</u>	<u>6,500</u>	<u>840,340</u>
Total assets	<u>\$ 342,647</u>	<u>\$ 354,202</u>	<u>\$ 299,564</u>	<u>\$ 12,230</u>	<u>\$ 22,959</u>	<u>\$ 6,500</u>	<u>\$ 1,038,102</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 9,685	\$ 11,400	\$ 60,426	\$ -	\$ 540	\$ -	\$ 82,051
Accrued and other liabilities	-	741	834	516	-	-	2,091
Due to other funds	<u>147,975</u>	<u>103,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,973</u>
Total liabilities	157,660	116,139	61,260	516	540	-	336,115
<b>Fund Balances - Unreserved</b>	<u>184,987</u>	<u>238,063</u>	<u>238,304</u>	<u>11,714</u>	<u>22,419</u>	<u>6,500</u>	<u>701,987</u>
Total liabilities and fund balances	<u>\$ 342,647</u>	<u>\$ 354,202</u>	<u>\$ 299,564</u>	<u>\$ 12,230</u>	<u>\$ 22,959</u>	<u>\$ 6,500</u>	<u>\$ 1,038,102</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004**

Debt Service Funds				
General Debt	Building Authority Debt	Total Debt Service Funds	Capital Improvement Fund	Total Nonmajor Governmental Funds
\$ 673	\$ 4,666	\$ 5,339	\$ -	\$ 72,108
-	-	-	176,315	186,418
360	-	360	-	360
-	-	-	-	120,890
500	-	500	310,296	1,151,136
<u>\$ 1,533</u>	<u>\$ 4,666</u>	<u>\$ 6,199</u>	<u>\$ 486,611</u>	<u>\$ 1,530,912</u>
\$ -	\$ -	\$ -	\$ 28,346	\$ 110,397
-	-	-	-	2,091
259	-	259	388,247	640,479
259	-	259	416,593	752,967
1,274	4,666	5,940	70,018	777,945
<u>\$ 1,533</u>	<u>\$ 4,666</u>	<u>\$ 6,199</u>	<u>\$ 486,611</u>	<u>\$ 1,530,912</u>

# City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ 832,152	\$ -	\$ -	\$ -	\$ 832,152
Federal sources	-	-	-	-	-	158,020	158,020
State sources	519,612	222,522	-	-	-	-	742,134
Charges for services	-	-	131,596	139,407	20,083	-	291,086
Interest and rent	1,439	2,781	-	-	-	-	4,220
Other	-	-	-	-	-	-	-
Total revenue	521,051	225,303	963,748	139,407	20,083	158,020	2,027,612
<b>Expenditures</b>							
Current:							
Public safety	-	-	-	-	6,658	-	6,658
Public works	215,495	251,241	965,978	131,257	-	173,147	1,737,118
Capital outlay	133,468	204,176	44,748	-	-	-	382,392
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	348,963	455,417	1,010,726	131,257	6,658	173,147	2,126,168
<b>Excess of Revenue Over (Under)</b>							
<b>Expenditures</b>	172,088	(230,114)	(46,978)	8,150	13,425	(15,127)	(98,556)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	222,550	-	-	-	-	222,550
Transfers out	(86,550)	-	-	-	-	-	(86,550)
Total other financing sources (uses)	(86,550)	222,550	-	-	-	-	136,000
<b>Net Change in Fund Balances</b>	85,538	(7,564)	(46,978)	8,150	13,425	(15,127)	37,444
<b>Fund Balances - Beginning of year</b>	99,449	245,627	285,282	3,564	8,994	21,627	664,543
<b>Fund Balances - End of year</b>	<u>\$ 184,987</u>	<u>\$ 238,063</u>	<u>\$ 238,304</u>	<u>\$ 11,714</u>	<u>\$ 22,419</u>	<u>\$ 6,500</u>	<u>\$ 701,987</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2004**

Debt Service Funds				
General Debt	Building Authority Debt	Total Debt Service	Capital Improvement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 832,152
-	-	-	-	158,020
-	-	-	-	742,134
-	-	-	917	292,003
-	-	-	-	4,220
<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>327,543</u>	<u>453,543</u>
126,000	-	126,000	328,460	2,482,072
-	-	-	-	6,658
-	-	-	-	1,737,118
-	-	-	763,515	1,145,907
356,360	110,000	466,360	-	466,360
<u>177,448</u>	<u>75,050</u>	<u>252,498</u>	<u>-</u>	<u>252,498</u>
<u>533,808</u>	<u>185,050</u>	<u>718,858</u>	<u>763,515</u>	<u>3,608,541</u>
(407,808)	(185,050)	(592,858)	(435,055)	(1,126,469)
406,192	188,050	594,242	275,000	1,091,792
<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,137)</u>	<u>(461,687)</u>
<u>406,192</u>	<u>188,050</u>	<u>594,242</u>	<u>(100,137)</u>	<u>630,105</u>
(1,616)	3,000	1,384	(535,192)	(496,364)
<u>2,890</u>	<u>1,666</u>	<u>4,556</u>	<u>605,210</u>	<u>1,274,309</u>
<u>\$ 1,274</u>	<u>\$ 4,666</u>	<u>\$ 5,940</u>	<u>\$ 70,018</u>	<u>\$ 777,945</u>